

AUDIT STAFF REPORT OF AUDIT

This report presents the findings developed from an audit of activities and accounts undertaken pursuant to Audit Staff responsibilities and authorities set forth in organization regulations. The audit included review and appraisal of internal controls and procedures and such other audit processes, test checks and verification of accounts, assets and transactions as were considered appropriate and consistent with generally accepted audit standards in the circumstances.

The objectives of the audit were to determine for management whether

- (1) Adequate controls and procedures have been established and are being applied effectively to safeguard organization resources and assure that resources are used only for approved and legal purposes, and
- (2) Activities are being conducted economically, efficiently and in conformance with policy determinations and directives.

The Audit Staff will be glad to furnish such additional data as may be available to it on any matter discussed in this report and to assist in any actions on these matters.

Transportation Division

For the period:

From 1 May 1961

To 30 September 1962

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Chief, AAE Division

Date 10 December 1962

This report consists of 5 pages.

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REPORT OF AUDIT
Transportation Division
Office of Logistics

For the Period
1 May 1961 - 30 September 1962

INTRODUCTION

1. The major portion of transportation charges are paid from operating component funds and the audit was confined primarily to transactions involving these funds.

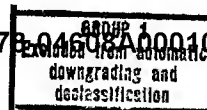
SUMMARY OF FINDINGS AND RECOMMENDATIONS

2. The operations of the Transportation Division were found to be generally good; however, we feel the administration of the Division could be strengthened with respect to controlling transportation costs, documenting shipments, and other operating practices. Recommendations resulting from our audit are summarized below and detailed in the following paragraphs.

Action Requested of Office of Logistics

- a. Initiate action to have authority and responsibility for determination of mode of transportation vested in Transportation Division. (Paragraph 4)
- b. Arrange for coordination between Transportation and Procurement Division on procurement contracts. (Paragraph 5)
- c. Establish controls to insure prompt identification of excess shipments for employees and collection of costs thereof. (Paragraph 6)
- d. Document claims involving special shipping arrangements to justify facilities used. (Paragraph 7)

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- e. Improve follow-up procedures and bring to attention of appropriate officials items packed for shipment for long periods. (Paragraph 8)

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- f. Require certification in accordance with [REDACTED] (Paragraph 9)

- g. Consider making Highway Branch (Property) a Type II accountable activity. (Paragraph 11)

Unliquidated Obligations of Transportation Costs
not Identifiable

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3. [REDACTED] establishing procedures for the obligation of transportation costs does not provide for identification of the detail of unliquidated obligations. For this reason we were unable to test the validity of obligations for these charges. We found, however, that the Division generally was following prescribed procedures in the obligating process.

Mode of Transportation Determined by Components Without
Regard for Costs

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4. Transportation Division does not normally make the determination as to the mode of transportation to be used in Agency cargo shipments. The operating components requesting transportation indicate the mode to be used and it appears that as a general rule Transportation Division ships by the mode requested without determination whether alternate, less expensive means could satisfy the delivery requirement. In limited instances Cargo Branch has furnished Operating Divisions with comparative costs and delivery times when it appeared the requested basis was obviously more expensive and unnecessary to meet delivery schedules. In cases where the Operating Divisions accepted the recommendation of the Cargo Branch considerable savings were effected. It would appear that determination as to the most favorable means of shipment available to meet delivery deadlines be placed with Transportation Division and that operating components' coordination be required only with respect to cover and delivery considerations.

Procurement Contracts not Coordinated With Transportation
Division

5. Insofar as we were able to determine from our discussions with responsible officials of Transportation Division there is little or no coordination between this

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Division and the Procurement Division. Inasmuch as the transportation factor may well significantly influence procurement costs it would seem to us appropriate that Transportation Division participate in procurement actions to the extent of furnishing advice and determinations as to delivery terms, i.e., F.O.B. Contractors Plant, F.O.B. Destination, mode of transportation, schedule, etc. which would result in the most advantage to the Agency.

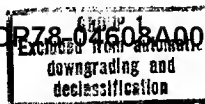
Need for Establishment of Controls Over Shipment
and Storage of Employee Property

6. In connection with PCS transfers, employees use Agency facilities to arrange storage and shipment of effects which are sometimes in excess of authorizations. Agency funds are expended to pay the cost of the weight in excess of the weight authorized. Controls have not been established by Transportation Division to insure compliance with weight limitations so as to insure prompt collection from employees in those cases where excess shipments are made. Establishment of adequate controls by Transportation Division would eliminate the need for some records now kept by Finance Division. In order to provide control over weights shipped and stored, arrangements must be made to insure timely furnishing of information on weights to travelers and in those instances where excess weights cannot be avoided the employee should be billed as soon as possible for the full amount of excess costs. In addition the Division should provide Finance Division with information on which to base prompt collection action from employees concerned.

Special Shipping Arrangements not Sufficiently Documented
to Support Certification

7. In instances where an originating component considers the usual official cover arrangements inappropriate the Transportation Division is requested to arrange shipment utilizing a commercial firm as the ostensible shipper. The facility most frequently used for this purpose is the [REDACTED] 25X1A5a1

25X1A5a1 [REDACTED] In some cases Finance Division is not furnished the reason for making special shipping arrangements. Consequently, the shipping documents when presented to support payments of billing received from commercial facilities do not indicate whether the shipments were in fact official shipments or personal. This information is of course necessary in order

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that the allowability of insurance or other costs can be determined. We recommend that documentation on claims of this type include data to justify use of commercial shipment.

Ineffective Follow-Up on Cargo Packed for Long Periods

8. At 1 November 1962 approximately 50 shipments which had been packed almost two years earlier for air shipment for Africa Division were held at Washington Depot awaiting project approvals and further shipping instructions. We recommend that Transportation Division bring to the attention of appropriate officials matters of this type on a periodic basis which would allow the Division to make transportation and/or storage arrangements which would be economically beneficial to the Agency.

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Joint Access to Imprest Fund Cash

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10. [REDACTED] alternate custodian of a \$750.00 imprest fund [REDACTED] have joint access to the cash box containing the fund. Dual access was considered necessary by the custodian because of his absences on official business. This matter was discussed with the individuals concerned and separate funds for both individuals were agreed upon. Accounting procedures for both funds were outlined during the course of the audit and no further action is necessary.

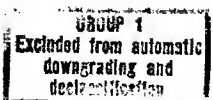
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More Efficient Control Could be Maintained for Highway Branch Property Under Type II System

11. Highway Branch nonexpendable property inventory records are kept by the Supply Division and verified annually by

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Highway Branch from a Consolidated Memorandum Receipt. The inventory has over 150 line items with a total value at 1 October 1962 of [REDACTED]. Keeping memorandum receipt records for an inventory account of this size is a difficult and time consuming task and we feel does not provide as useful a record as would be provided through use of Type II property accounting procedures as prescribed [REDACTED]. We recommend that the Office of Logistics give consideration to designating the Highway Branch a Type II accountable activity with adoption of property accounting procedures as prescribed [REDACTED]. This could be accomplished with little additional workload at the time of the next scheduled verification of the present memorandum receipt account.

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